

ACCOUNTING PROCEDURES

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1. GENERAL

H-B/3 The accounting procedures in this Manual will be used by the [redacted] in accounting for all receipts and disbursements of funds for the entire research program.

2. RESPONSIBILITY FOR FUNDS

While the actual handling of funds and preparation of reports may be delegated to any qualified employee of the [redacted], the Chief Administrative Officer remains responsible for the physical safekeeping, proper disbursement, and accounting for the funds. He will see that accounting procedures as set forth in this Manual are enforced so as to provide all information necessary for proper recording. If he feels that any provisions of these accounting procedures are not adequate or appropriate, he should refer the matter to the representatives of the sponsor. B/3

3. RECORDS TO BE MAINTAINED

B/3 The [redacted] is required to maintain a Journal in a bound or loose-leaf book as a permanent record of all transactions. The exact form of the Journal is optional but it is recommended that a Journal such as Exhibit A be adopted to provide maximum control of cash and ready information for reporting purposes. Each transaction, whether a cash receipt, a cash disbursement, or an accounting for an advance must be entered in the journal at the time the transaction occurs. The balances in the Journal for cash and advances must agree at all times with the actual cash on hand and the accountability for all advances outstanding.

4. INFORMATION REQUIRED ON DISBURSEMENTS

To allow for proper accounting for expenses, the cooperation of every individual concerned is essential in obtaining the necessary information and basic receipts required for all disbursements. Basically, to properly classify each disbursement, there must be a record of the date of the transaction, the name of the payee and the amount disbursed. Receipts, memorandums or other written records will be required to substantiate or support every item of expenditure for which reimbursement or accounting is claimed, except where they are not normally furnished for the type of service or merchandise secured. When receipts cannot be, or have not been obtained, the individual making the disbursement will prepare and sign a separate statement applicable to each expenditure giving the reason for failure to supply a receipt. Reasons will be as specific as possible in consideration of all factors involved. The Chief Administrative Officer's approval of the monthly summary accounting will be deemed to constitute approval of all such individual statements.

ACCOUNT CLASSIFICATION

1. Cash Fund

B/3
This account records the fluctuations of cash on hand. All receipts of the [REDACTED] including the sponsor's grants to the [REDACTED] will be reflected in this account. Such receipts might be grants from a sponsor, return of advances, cash overages, miscellaneous refunds from vendors, etc.

All disbursements of the [REDACTED] will be made from this Fund. Grants from the sponsor to the [REDACTED] will be recorded as an advance to the [REDACTED] on the books of the [REDACTED]. (In effect, grants by the sponsor to the [REDACTED] will be an "In and Out" recording of cash, and charged finally as an advance to the [REDACTED].) See line 19, Exhibit A.

2. Cash Advances

This account classification provides a means for recording in a chronological order, all advances made to employees and others, the return of such advances and/or the accountings for such advances.

A clear distinction must be maintained at all times between expenses and advances. Money advanced to an employee as a loan or for expenses for which an accounting will be given at a later date is an advance. The advances will be listed on Schedule A, Schedule of Advances, and the total outstanding amount of advances will be summarized on Exhibit B, Summary Accounting, at the beginning and end of the accounting period.

Each advance listed will be explained briefly as to its purpose (e.g., for local travel, for anticipated operational expense, accrued salary, etc.). Advances must indicate due date so as to assure a follow up by the Chief Administrative Officer.

Since all advances made remain the responsibility of the Chief Administrative Officer, the accountability for funds will not be reduced by advances made, i.e., the [REDACTED] accountability will total the sum of all cash on hand plus outstanding advances. When advances are repaid the accounting will reflect a receipt of funds even though the accountability is not increased by reason of the repayment. A net adjustment should be made between the elements of the accountable balance (e.g., cash plus advances). When advances are accounted for by submission of acceptable evidence that the funds advanced have been expended, then a recording will be made to charge the appropriate expense classifications and to reduce the total accountability of the advances by the accounting submitted. B/3

A subsidiary record will be maintained for each person that receives an advance. This subsidiary record will contain a complete record of charges and credits for each person. At each month end, the combined unpaid charges in the subsidiary records should agree with the balance as shown in Column (11) of Exhibit A.

3. Furniture, Fixtures, Equipment and Books

This expense classification will be charged for all purchases of office or laboratory furniture, fixtures, equipment and books. The terminology of "books" refers only to those of a "library" status, such as reference books for technical study.

A Fixed Asset Register of all furniture, fixtures, equipment and books purchased shall be kept in the files of the [REDACTED] B/3
The Register will show the asset and quantities thereof, the date of purchase, the cost and location of the asset. A listing of each month's purchases of fixed assets will be set forth in Schedule B, Fixed Assets.

4. Remodeling Costs

This expense classification will be charged with all renovation and remodeling costs of the rental site.

5. Salaries

This expense classification will be charged with the gross salaries of all employees paid out of program funds.

A subsidiary payroll ledger will be kept for each employee whose salary is paid from the funds of the research program. This individual payroll ledger sheet will show the employee's name, the pay period, and for each pay period the gross salary. Social Security and income tax deductions will be a part of the [REDACTED]'s accounting, and not to be recorded here. A schedule of salaries paid each month, per individual per pay period, will be set forth in Schedule C, Schedule of Salaries. B/3

6. Travel and Entertainment

This expense classification will be charged with travel and entertainment expenses, which shall also include quarters and subsistence expenses, incurred by members of the research program; these expenses shall be on an actual, reasonable and necessary basis, except in special cases where the Chief Administrative Officer may designate that subsistence costs shall be on a "per diem" basis. (Do not charge to this classification small items of local transportation such as taxicabs, busses, etc., unless shown on regular travel vouchers. These should be paid from the Cash Fund and charged to classification No. 13, Office and Miscellaneous Expenses.)

NOTE: Vouchers accounting for travel and entertainment advances will be prepared in duplicate and the duplicate copies kept on file by the bookkeeper for submission with the monthly reports to the officials of the research program for their review and information, if desired.

7. Building Rent

This expense classification will be charged with all payments made for building rental.

8. Equipment Rental

This expense classification will be charged with all payments made for rental of technical or laboratory equipment.

9. Lights, Heat, Water and Communications

This expense classification will be charged with all payments made for lights, heat, water, telephone, telegraph, cables and postage charges.

10. Laboratory Supplies and Materials

This expense classification will be charged with all payments made for supplies and materials used in connection with laboratory work or maintenance.

11. Payroll Tax Expense

This expense classification will be charged with all payments made out of any portion of the research program funds for taxes relative to the payroll, including all unemployment compensation taxes.

12. Special Services

This expense classification will be charged with all payments made for special services rendered to the research program (e.g., services rendered by educational institutions, or hospitals for which a charge is made).

13. Office and Miscellaneous Expenses

This expense classification will be charged with all payments made for office supplies and stationery, insurance premiums, miscellaneous dues and subscriptions, small items of transportation (taxi and bus fares, etc.), janitor or maid services, licenses and taxes other than payroll, legal and accounting fees, if any, small repair charges in maintenance of the furniture, fixtures and equipment, and any other disbursements for which an expense classification has not been provided.

14. Cash Short

This expense classification will be charged with all shortages of cash as revealed by periodic cash counts. See paragraph 6, "CASH COUNTS" for further instructions regarding cash shortages. (Cash over will be recorded as a receipt of funds and reported in the "Funds Received" section of the Summary Accounting.)

5. SUBMISSION OF ACCOUNTING REPORTS

B/3
A summary accounting report will be made on a calendar month basis by the [REDACTED]. The report will be submitted to the sponsor by the 15th day of the month following the accounting month. The report will consist of:

- a. Receipts and Disbursements - Summary Accounting, Exhibit B, signed by the Chief Administrative Officer.
- b. Schedule of Advances, Schedule A.
- c. Schedule of Fixed Assets, Schedule B.
- d. Schedule of Salaries, Schedule C.

6. CASH COUNTS

B/3
As it is the intention of the sponsor to make funds available to the [REDACTED] in cash, cash counts should be made by the custodian at frequent intervals (daily or weekly) to verify the physical existence and accuracy of cash balances. A monthly physical count of cash must be made, and if conditions permit, the Chief Administrative Officer will appoint two such persons, other than the custodian of the funds, to perform this function. Such personnel should be rotated regularly. These individuals will count the cash as of the close of business on the last day of each monthly reporting period and affix their certification either on the face of the monthly Summary Accounting or on an attachment thereto under a certificate that they have verified the cash balance by a physical count and found the amounts reported to be correct, subject to any comments. Any shortages or overages in cash will be shown separately on the Summary Accounting and further, a report shall be attached to the Summary Accounting outlining all known circumstances surrounding the shortage or overage, including action taken, if any, to locate the error.

7. ILLUSTRATIVE SAMPLE BOOKS OF ACCOUNT AND FINANCIAL REPORT

a. Sample Transaction

There is presented below a series of sample financial transactions of the types most commonly occurring. These transactions are numbered so that their handling in the books of account and financial reporting may be traced to the corresponding Item No. on the illustrative Journal (Exhibit A) and Summary Accounting (Exhibit B). The importance of the mechanics described herein cannot be over-emphasized in order to assure that maximum control of funds may be exercised and that sponsors may have proper information for efficient handling and expeditious auditing of financial reports.

Item No.Transaction

- (1) Actual cash on hand at beginning of accounting period as revealed by physical count and closing balance from the prior period.
- (2) Outstanding balance of all advances not accounted for or repaid at the beginning of accounting period. This should equal amount shown at close of prior period.
- (3) Cash received from sponsor.
- (4) Travel advance made to Richard Roe for local trip (due date 5 August).
- (5) Payment for stationery and supplies for office use.
- (6) Purchase of laboratory supplies.
- (7) Payment of local office telephone bill.
- (8) Partial repayment of advance made to John Smith in prior month.
- (9) Accounting from John Smith for balance of advance.
- (10) Purchase of Office Furniture for [REDACTED]
- (11) Payment for remodeling of [REDACTED] rental premises.
- (12)-(17) To distribute the expenses as shown on the paid invoice from the [REDACTED]
- (18) Cash received from sponsor.
- (19) Advice was received that an additional \$25,000 was granted to the [REDACTED]. Line 19 records the receipt of cash for the program (column 6), the disbursement of cash to the [REDACTED] (column 7), and the advance to the [REDACTED] (column 9). Note that the cash balance maintained in column 8 did not change, but that the balance of advances outstanding increased by \$25,000 (column 11).
- (20) To record cash overage as revealed by a cash count taken on 24 July.
- (21) To record a cash shortage as revealed by a cash count taken on 31 July.
- (22)-(23) Not used.
- (24) Actual cash on hand and outstanding balance of all advances not accounted for or repaid as at the end of the accounting period. These two amounts will be forwarded to the Journal for August.

- b. Although it is recognized that the sample entries shown above do not illustrate all transactions which may occur, they should be indicative of processing for any transactions. If it is not known what action should be taken on any unusual transaction, guidance should be requested through the Chief Administrative Officer.

c. Maintenance of a Journal

- (1) The journal will be maintained in a bound book or on loose-leaf journal sheets held in a binder which will be procured locally. The journal shall be columnarized to contain the horizontal spread shown in Exhibit A.
- (2) The columns in the sample journal (Exhibit A) are numbered (1) through (11) as a guide to the narrative descriptive comments on the maintenance of this journal as submitted below:

Column No.

Description

- (1) Show date entry was made. The calendar year will be shown at the top of the column and subsequent entries will contain only day and month.
- (2) Make brief but complete description of the transaction being recorded. Include references to specific purpose, name of payee, period covered, etc.
- (3) Vouchers will be numbered in numerical sequence for each fiscal year. On 1 July begin a new series beginning with the number 1. Numbers will be prefixed with an "R" for vouchers recording funds received and a "D" for vouchers recording funds disbursed.
- (4) This column will not be used.
- (5) The appropriate expense classification number will be indicated for all disbursements representing a charge for an identifiable expense or capital outlay.
- (6) Record all cash received from any source, including receipts from sponsor, proceeds from sale of materials, refunds of advances, etc. Also include grants of funds made to the [redacted] with a simultaneous disbursement entry in column (7). All entries made in this column will increase the cash balance in column (8).
- (7) Record in this column all disbursements made from cash, including local advances, and payments for local operations and overhead. All entries made in this column will reduce the cash balance in column (8).
- (8) The first entry in this column at the beginning of an accounting period will be the cash balance forwarded from the previous month's journal. As each entry is made during the month, an amount will be entered representing the new cash balance reflected as a result of adding the entry in column (6) or subtracting the entry in column (7) to the previous cash balance. The amount shown in this column must

B/3

Column No.

Description

- (9) Enter in this column each advance made for which a further accounting or refund is expected. Every time an entry is made in this column a like entry must appear in column (7). All entries in this column will increase the balance in column (11).
- (10) Enter the amounts of all accountings for advances and refunds of advances. Every time a cash refund, in whole or in part, of an advance is made and entered in this column, a like amount must be entered in column (6). All entries in this column will reduce the balance in column (11). As set forth elsewhere in this manual, all entries in columns (9) and (10) will be reflected in a subsidiary advance record maintained for each person who has received an advance. At each month end, the combined unpaid charges in the subsidiary records should agree with the balance as shown in column (11).
- (11) The first entry in this column at the beginning of an accounting period will be the balance of advances outstanding forwarded from the previous month's journal. As each entry is made in columns (9) and (10), the new balance will be entered in this column. The amount shown in this column will currently reflect the total of all outstanding advances to be accounted for or repaid.

d. Preparation of Summary Accounting Exhibit B, and Supporting Schedules A, B, and C

- B/3
- (1) A Summary Accounting and supporting schedules will be prepared in triplicate from the data reflected in the journal described in 7.c., above. The original and one copy will be given to the Chief Administrative Officer for distribution and the third copy will be retained in the files of the [REDACTED] for future reference. All receipts and/or certificates in lieu of receipts supporting the total disbursements (line 6, Exhibit B) will be attached to the original of the monthly Summary Accounting.
 - (2) The horizontal lines of the sample Summary Accounting (Exhibit B) are numbered (1) through (9) as a guide to the narrative descriptive comments on the preparation of the accounting set forth below:

Item No.

Description

- (1) Enter the amount shown on the previous month's journal for "Cash on Hand - End of Period."
- (2) Enter the amount shown on the previous month's journal for "Outstanding Advances - End of Period."
- (3) Enter all funds received from any source except cash refunds for advances made. Cash returns from recipients of advances do not

Item No.

Description

affect the accountability of the Chief Administrative Officer and therefore these type of receipts should not be included in the Summary Accounting.

- (4) Enter the totals of Items 1, 2, and 3. This is the amount with which item 2 must agree.
- (5) Summarize all disbursements by expense classifications (except those disbursements which are cash advances) and enter in the amount column one total for each expense classification. Cash advances made are omitted from the expense classifications because the accountability of the Chief Administrative Officer is not reduced by reason of the cash advance. The accountability is reduced only when an accounting for money spent is recorded in the books at which time the amount accounted for will be identified with the proper expense classification and reported herein.
- (6) Enter the totals of the summarized expense classifications as listed in item 5.
- (7) Enter the closing cash on hand as reflected in column (8) of the journal and verify by a physical count of cash.
- (8) Enter the closing balance of advances as reflected in column (11) of the journal and verify with the total of individual subsidiary accounts. This amount must equal the total as reflected in the Schedule of Advances (Schedule A).
- (9) Enter the totals of items 6, 7, and 8. This total must equal the total of item 4.
- (3) The certificate on the original of the Summary Accounting, Exhibit B, may be placed on the Form or may be attached to the financial reports on a separate sheet.

**RECEIPTS AND DISBURSEMENTS
SUMMARY ACCOUNTING**

From: 1 July 1954 to: 31 July 1954

ITEM No.		AMOUNT
1.	CASH ON HAND-BEGINNING OF PERIOD	\$ 1,500.00
2.	OUTSTANDING ADVANCES-BEGINNING OF PERIOD - (Sched. A)	25,200.00
3.	FUNDS RECEIVED: (List Chronologically and Explain)	
	7/2/54 Cash from Sponsor	1,000.00
	7/20/54 Cash from Sponsor	1,500.00
	7/22/54 Cash from Sponsor for [REDACTED]	25,000.00
	7/24/54 Cash Overage per Cash Count	1.00
4.	TOTALS TO BE ACCOUNTED FOR	<u>\$ 54,201.00</u>
5.	DISBURSEMENTS: (Vouchers Nos. D-12 to D-19, Incls.)	
	Furniture, Fixtures and Equipment (Sched. B)	\$ 332.50
	Remodeling Costs	1,135.00
	Salaries - (Sched. C)	9,000.00
	Travel and Entertainment	170.00
	Building Rent	1,750.00
	Equipment Rental	820.00
	Lights, Heat, Water and Telephone	270.00
	Laboratory Supplies and Material	7.50
	Payroll Tax Expenses	180.00
	Special Services	240.00
	Office and Miscellaneous Expenses	35.00
	Cash Shortage per Cash Count	1.00
6.	TOTAL DISBURSEMENTS	<u>\$ 13,941.00</u>
7.	CASH ON HAND - END OF PERIOD	2,400.00
8.	OUTSTANDING ADVANCES - END OF PERIOD	37,860.00
9.	TOTALS ACCOUNTED FOR	<u>\$ 54,201.00</u>

This is to certify that the undersigned counted and verified all cash on hand as of the closing date of the accounting, and found the amounts as reported above on line 8.

/s/
Signature

/s/
Signature

I certify that to the best of my knowledge and belief, the expenses itemized on this accounting and the schedules attached, are true and correct in all respect.

Date

/s/
Signature

MEMO JOURNAL

(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)	(9)	(10)	(11)	(12)
DATE	DESCRIPTION	NO. NO.	CLASS	IN	OUT	BALANCE	DATE	BALANCE				
								DEBIT	CREDIT			
1 July	Balance Forward					1,500.00			25,000.00			
2 July	Cash From Office	8-1		1,000.00		2,500.00						
5 July	Travel Advance to Joe				100.00	2,400.00			25,000.00			
5 July	Stationery & Supplies	3-12			25.00	2,375.00						
5 July	Laboratory Supplies	3-13			7.10	2,367.90						
3 July	Telephone Bill	3-14			20.00	2,347.90						
3 July	Partial Payroll - 22th			30.00		2,317.90			35.00			
12 July	Accep. 13 July - 22th	3-15							270.00			
13 July	Office Supplies	3-16			122.00	2,095.90						
15 July	Freight Bill	3-17			1,135.00	960.90						
	Dist. 13 July - 22th	3-18		5					9,000.00			
	" 7/15 to 2/15	"		7					1,750.00			
	" 12.02 July	"		2					200.00			
	" 10.02 July	"		2					250.00			
	" "	"		21					120.00			
	" 6/2000	"		12					240.00			
20 July	Cash From Office	3-15			1,500.00	2,940.00						
22 July	Cash From Office	3-16			25,000.00	27,940.00						
24 July	Cash From Office	3-17			1.00	2,941.00						
31 July	Cash From Office	3-19		15	2.00	2,939.00						

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From: 1 May 1954
To: 31 May 1954

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SEP 10 1 20 1954
From: To: 31 July 1954

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FUNDS RECEIVED: SCHEDULE OF SALARIES

PERIOD
From: 1 July 1954 To: 31 July 1954

REPORT CONTINUED
BY PERIOD

DESCRIPTION

LEADS

TYPE OF FUNDS

6/12/54 to 7/2/54

John Smith

100.00

Richard Roe

100.00

John Doe

25.00

John Watson

100.00

John Tracy

100.00

John White

25.00

John Green

100.00

Richard Roe

100.00

John Doe

25.00

John Watson

100.00

John Tracy

100.00

John White

25.00

John Green

100.00

Richard Roe

100.00

John Doe

25.00

John Watson

100.00

John Tracy

100.00

John White

25.00

John Green

100.00

Richard Roe

100.00

John Doe

25.00

John Watson

100.00

John Tracy

100.00

John White

25.00

John Green

100.00

Richard Roe

100.00

John Doe

25.00

John Watson

100.00

John Tracy

100.00

John White

25.00

John Green

100.00

Richard Roe

100.00

John Doe

25.00

John Watson

100.00

John Tracy

100.00

John White

25.00

Totals